TDS Telecom Overview

TDS Telecom exemplifies the goals of the Telecom Act of 1996. Our ILEC operating companies have been providing high quality, affordable telecommunications services to rural communities for 100 years. Championing the economic development of these communities is an integral part of our corporate mission. When the 1996 Act opened local markets to competition, TDS Telecom used its decades worth of knowledge and experience to bring competitive alternatives to small and medium-sized communities outside of our ILEC footprint. TDS Telecom's CLEC operating companies are market-savvy competitors with solid business plans, serving both residential and business customers.

ILEC Operations

- 108 local exchange companies in 28 states
- Over 700,000 access lines
- DSL service to over 8100 customers
- Long distance service to over 175,000 customers
- Internet access service to over 100,000 customers
- Company sizes range from 571 to 70,000 access lines
- Average number of access lines per square mile - 19; RBOC average - 128

CLEC Operations

- Operating in 6 states, competing primarily with SBC-Ameritech and Qwest
- Generally serving cities with between 10,000 and 100,000 in population
- Facilities based carrier with 8 switches deployed and over 100 collocations
- Nearly 300,000 equivalent access lines in service
- Over 100,000 residential lines served via UNE-L
- DSL service to over 11,000 customers

Current and proposed FCC policies make it very difficult for TDS Telecom to commit scarce corporate resources to deploying new technologies, expanding into additional CLEC markets and acquiring rural properties where facilities often need costly upgrades. To reduce the barriers to investment in all but the largest markets, the FCC should:

Retain its Title II authority over broadband-capable facilities and services

- The cost of deploying DSL in many rural TDS markets is prohibitive and only through cost pooling is there any prospect for DSL deployment in the near future. Removing broadband services from Title II regulation will interfere with NECA cost pooling.
- Defining broadband services as "information services" deprives the FCC of the ability to add broadband services to the list of supported universal services when appropriate. As broadband becomes as critical to economic growth as basic telephone service is today, rural communities cannot afford to be left behind.
- Title II unbundling requirements for broadband capable facilities are critical to the long-term success of competition. Limiting competitive carriers to providing service to a subset of customers in a market - i.e. those served entirely by copper - or only allowing provision of low-bandwidth services through use restrictions on UNE loops will eliminate the ability of CLECs to be full service telecommunications providers.

Adopt regulatory policies that encourage facilities-based CLEC entry

- To survive and justify investment in true, facilities-based competition, CLECs need access to the "last mile" to compete as full-service providers of broadband and voice services. The FCC must maintain access to broadband loops, loops behind DLCs, fiber loops, conditioned loops, sub-loops and high capacity loops because nationwide duplication is uneconomic.
- The FCC must adopt strict UNE performance measures and re-double its anti-backsliding enforcement efforts as the RBOCs gain long distance approval. RBOCs have agreed on paper to do many of the things necessary to facilitate competition, but continue to set up operational roadblocks daily. Preemption of state performance measures and enforcement powers should not occur.
- CLEC access benchmark levels must be modified. Capping CLEC interstate access rates at below-cost levels punishes facilities-based CLECs like TDS that serve higher-cost residential customers and small to medium sized markets. Intercarrier compensation proposals such as bill and keep could severely harm small market and residential CLECs as well as rural ILECs.

Repeal the all-or-nothing rules

- One-size-fits-all regulation of affiliated carriers conflicts with the diverse characteristics and needs of the TDS ILECs. Both carriers and customers are deprived of benefits by forcing the same regulation on companies serving the bottom of the Grand Canyon or an island in Lake Michigan and companies serving suburban Madison, Wisconsin or Knoxville, Tennessee.
- Unjustifed uniform regulation for all affiliated carriers interferes with beneficial mergers and acquisitions and resulting upgrades. State and federal regulators now have effective tools to prevent cost shifting and gaming.

Design high cost mechanisms to support organic rural networks, not disembodied access lines

- To provide universal service, incumbent rural carriers incur the costs of providing high cost service at "reasonably comparable" prices under a network or system deployment plan, not on a loop-by-loop or unit-of-switching-capacity basis. Therefore, the loss of one or more customers does not reduce costs.
- Federal universal service support provides an essential part of the cost recovery that allows ILEC networks to provide high quality service to customers in even the most sparsely populated parts of their high cost areas and to meet their "carrier of last resort" obligations.
- The Commission decided to divide an ILEC's support and costs by lines solely for convenience in measuring portable support. This gives the false impression that ILECs can economically recover costs (including support) on a "per line" basis or can economically segregate the costs of "primary" and "secondary" lines.
- The Act's requirement for a state "public interest" finding to justify supporting a second carrier in rural ILEC areas recognizes that small, low volume and less dense networks and their customers are more vulnerable to damage from supporting more than one carrier and two or more less efficient networks in a high cost area.
- The Commission must take care to properly weigh costs and benefits when alternative carriers request ETC designation in rural areas or requests are made to alter service areas for support distribution. Improper decisions could cause significant harm to rural carriers as well as the long-term viability of universal service system.

Do not expand local number portability (LNP) requirements to rural carriers unnecessarily

- Requiring a bona fide request from a competitive carrier as the trigger for LNP deployment is a sound policy that limits unnecessary expenditures by rural LECs.
- Premature LNP deployment in areas without wireline competitors would result in rural customers paying cost recovery surcharges even though they do no have the ability to switch to a different wireline carrier.
- The benefits of forcing rural LECs to deploy LNP for number pooling would be miniscule due to the tiny fraction of overall numbering resources used by rural ILECs and the limitations of LNP-based pooling. (i.e. pooling only within rate centers)